MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2018/2019

DTX5018 – TAXATION 1

(For Diploma Students Only)

15 MARCH 2019
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 12 pages with 4 Questions only.
2. Attempt all the **FOUR** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

Mr Dongwon, a Korean citizen, was employed as an engineer by Hagul Malaysia Sdn Bhd for Solar power project. He arrived in Malaysia for the first time on 21 May 2012 and his contract with the company began on 1 June 2012 and ended on 28 February 2018. Details of his stay in Malaysia are as follows:

Year	Periods of stay	Note
2012	21 May to 18 July	
	19 November to 31 December	
2013	1 January to 15 April	
	16 April to 30 April	in Japan for attending a conference
	1 May to 20 August	
2014	10 April to 30 September	
	5 November to 12 December	
2015	1 February to 30 May	
2016	1 January to 14 January	in Korea for a holiday
	15 January to 10 April	
2017	1 July to 30 September	
2018	1 January to 10 March	

Required:

a) Determine the residence status of Mr Dongwon for the years of assessment 2012 to 2018. Give reasons and quote the relevant provisions of the Income Tax Act 1967 to support your answer. (13 marks)

b) Define temporary absence under Section 7 (b) of Income Tax Act 1967 and list the situations under temporary absence. (4 marks)

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Part B

A Malaysian resident company, Serai Sdn Bhd has its financial year ended on 31 December each year. The company nature of business is trading goods worldwide. Paid up capital as at 1 January 2017 was RM2.5 million and chargeable income for year of assessment 2018 is RM680,000.

Encik Anwar is one of the employees in Serai Sdn Bhd. Every year he receives monthly salary and bonus at the end of the year. After considering all the relevant relief for him, his chargeable income for year of assessment 2018 is RM32,000. He made self-assessment and also contributed zakat of RM200 in 2018.

Nephi Ltd (non-resident company) has paid up capital was RM3 million in 2017. The chargeable income after deducting donation and other related expenses is RM750,000 for year of assessment 2018.

Mr. Solarin from Yaman was hired as a specialist in Serai Sdn Bhd. He started his work in the company on 1 October 2018. He only stays in Malaysia less than 182 days in year of assessment 2018. His chargeable income is RM150,000.

Required:

Calculate the income tax payable for Encik Anwar, Serai Sdn Bhd, Nephi Ltd and Mr. Solarin for the year of assessment 2018. (8 marks)

(Total: 25 marks)

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QUESTION 2

Part A

Encik Bahar, a Malaysian resident works with Hayat Holdings Bhd since 1 July 2008. With effect from 1 January 2017, the company paid him a monthly salary and entertainment allowance of RM15,000 and RM5,000 respectively. The company gave him annual travelling allowance of RM12,000. Contractual bonus is 2 months' salary.

He claimed that entertainment and travelling allowances received from the company during the year 2018 have been fully spent for entertaining the company's clients. In addition, the company also provides Encik Bahar the following benefits during the year 2018:

(i) A fully furnished apartment with annual value of RM40,000, including the value for the furniture of RM600 a month.

(ii) A servant with a salary of RM800 a month paid by Encik Bahar and reimbursed by the company.

(iii) A golf club corporate membership with entrance fee of RM2,800 and a monthly subscription of RM250 paid by the company.

(iv) A mobile phone under the company's name. The phone bills paid by the company for the year 2018 amounted to RM790.

(v) A new car which was purchased in May 2017 for RM195,000, and a driver with monthly salary of RM1,100 paid by the company. Fuel was provided by the company.

(vi) A holiday package to Europe for him and wife, which the company paid for the air tickets, meals and accommodation of RM11,000, RM3,000 and RM6,000 respectively.

(vii) Medical expenses of RM5,500 for Encik Bahar and his family.

(viii) Tuition fees for his children of RM400 a month.

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Required:

a) Compute the statutory income from employment of Encik Bahar for the year of assessment 2018. (15 marks)

b) Explain what is Section 13 (1) (d) and Section 13 (1) (e), and list down the items of the stated sections. (3 marks)

Part B

Orange Sdn Bhd commenced its business on 1 May 2012 and its first set of accounts was prepared to 31 August 2012. However, on 1 October 2012, the company decided to change the accounting date to 31 January.

In January 2016, Orange Sdn Bhd became the subsidiary of Apple Bhd and changed its accounting date to 30 June to conform to the group's accounting date.

The adjusted income/(loss) for the respective accounting periods are as follows:

Accounting period	**Adjusted income/(loss)**
1.5.2012 - 31.8.2012	RM(32,000)
1.9.2012 - 31.8.2013	(96,000)
1.9.2013 - 31.1.2015	255,000
1.2.2015 - 31.1.2016	153,600
1.2.2016- 30.6.2017	168,000
1.7.2017- 30.6.2018	218,400

Required:

Determine the basis period and compute the adjusted income/(loss) of Orange Sdn Bhd for all the relevant years of assessment from 2012 to 2018. (7 marks)

(Total: 25 marks)

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QUESTION 3

Part A

Muzaffar Height Sdn Bhd provided the following information regarding its residential properties for the year ended 31/12/2018.

	RM	RM
1) Shophouse		
Receipts:		
Rental: Jan 2018 – Mar 2018		16,000
Apr 2018 – May 2018		Vacant
June 2018 – May 2019		48,000
Deposit (refundable)		8,000
Deposit for electricity and water		4,000
		76,000
Payments:		
Deposit refunded to ex-tenant	4,000	
Assessment	3,600	
Quit Rent	400	
Repairs (carried out in May 2018):		
- Repainting	3,000	
- Renovation to kitchen	8,090	
- Replacement of damaged tiles	4,050	
- Installation of air-conditioning unit	1,200	(24,340)
Excess of receipts over payments		51,660
2) Condominium		
Receipts:		
Rental: Apr 2018 – Dec 2018		18,000
Deposit (refundable)		4,000
Deposit for electricity and water		1,000
		23,000

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Payments:		
Assessment	2,400	
Quit Rent	320	
Interest on property loan (Jan 2018 – Dec 2018)	27,890	
Penalty for late payment of quit rent	100	
Legal fees for tenancy agreement	100	
		(30,810)
Excess of receipts over payments		(7,810)

Property No.2 was acquired in Dec 2016 and was first rented out on 1/4/2018.

Required:

Based on the above information, calculate the aggregate income of Muzaffar Height Sdn Bhd for the year of assessment 2018. (11 marks)

Part B

Elly Malek works an artist in Kuala Lumpur. She sells various paintings to the local and foreign tourists. On 6 June 2018, she receives RM15,000 from her music composition 'My Love, My Heart' which is the top hit list in radio stations.

Required:

a) Advise Elly Malek on the income tax implication on the receipts with tax computation format. (10 marks)

b) In the event Elly Malek is a music composer for Gegar Musical Sdn Bhd, would the answer in (a) differs? (4 marks)

(Total: 25 marks)

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QUESTION 4

Given below is the information pertaining to the tax returns of Encik Mustarul and his wife, Puan Maria for the year of assessment 2018:

Encik Mustarul

Encik Mustarul, a Malaysian resident works with Kenanga Investors Bhd since 1 July 2009. Total of his employment income is RM62,500 (including monetary, benefit in kind and living accommodation.)

For the year of assessment 2018, Encik Mustarul made the following claims:

i) Child relief for three schooling children, all are below 18 years old.
ii) RM750 for purchase of books for his children.
iii) RM2,750 for the purchase of smartphone for his own use.
iv) Contribution to EPF is 11% of his salary. Salary RM15,000 per month.
v) RM6,800 for his parents medical expenses.
vi) Zakat payment of RM200 to Lembaga Zakat Selangor (LZS)

Puan Maria

Puan Maria is a Malaysian resident, operates a food catering business with her partner, Esther. Puan Maria received a statutory income from her partnership business with Esther amounting to RM121,000 for the year of assessment 2018.

Puan Maria provided the following information for the year of assessment 2018:

i) She purchased basic supporting equipment of RM5,500 for her mother.
ii) Life Insurance premium for herself paid during the year was RM4,800.
iii) She paid RM3,500 and RM4,600 for her children's medical and education insurance premiums respectively.
iv) She donated RM8,750 to an approved charitable institution.

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Required:

a) Compute the income tax payable by Encik Mustarul and Puan Maria under separate assessment for the year of assessment 2018. (15 marks)

b) Compute the income tax payable for year of assessment 2018 for Puan Maria under joint assessment. The husband has elect for joint assessment. (10 marks)

(Total: 25 marks)

[GRAND TOTAL 100 MARKS]

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APPENDIX

The following rates and allowances are to be used in answering all questions:

(a) Rates of tax for year of assessment 2018:

(i) Resident company — Paid up capital >2.5m: 24%
Paid up capital <2.5m:
First 500,000: 18%
Next 500,000: 24%

(ii) Non-resident company — 24%

(iii) Non-resident individual — 28%

(iv) Resident individuals:

Chargeable Income (RM)		Rate %	Tax payable (RM)
On the first	2,500	0	0
On the next	2,500	0	0
On the first	5,000	1	0
On the next	5,000		50
On the first	10,000	1	50
On the next	10,000		100
On the first	20,000	3	150
On the next	15,000		450
On the first	35,000	8	600
On the next	15,000		1,200
On the first	50,000	14	1,800
On the next	20,000		2,800
On the first	70,000	21	4,600
On the next	30,000		6,300
On the first	100,000	24	10,900
On the next	50,000		12,000
On the first	150,000	24	22,900
On the next	100,000		24,000
On the first	250,000	24.5	46,900
On the next	150,000		36,750
On the first	400,000	25	83,650
On the next	200,000		50,000
On the first	600,000	26	133,650
On the next	400,000		104,000
On the first	**1,000,000**	28	**237,650**
Excess			

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(b) Value of benefits in kind – Motor Vehicle and Related Benefits

Cost Of Car When New (RM)	Annual Value Of BIK (RM)	Fuel Per Annum (RM)
Up to 50,000	1,200	600
50,001 - 75,000	2,400	900
75,001 - 100,000	3,600	1,200
100,001 - 150,000	5,000	1,500
150,001 - 200,000	7,000	1,800
200,001 - 250,000	9,000	2,100
250,001 - 350,000	15,000	2,400
350,001 - 500,000	21,250	2,700
500,001 and above	25,000	3,000

(c) Prescribed value of household furnishing, apparatus and appliances.

Category	Types Of BIK	Annual Value Of BIK
(a)	Semi-furnished with furniture in the lounge, dining room or bedrooms.	RM840 (RM 70 per month)
(b)	Semi-furnished with furniture as above and one or more of the following:- air-conditioners, curtains and carpets.	RM1,680 (RM 140 per month)
(c)	Fully-furnished with benefits as above plus one or more of the following:- kitchen equipment, crockery, utensils and appliances.	RM3,360 (RM 280 per month)
(d)	Service charges and other bills such as water and electricity and telephone	Service charge and bills paid by the employer

(d) Prescribed value of other benefits

Item	Types Of BIK	Value Of BIK (RM)
(a)	Corporate recreational club membership	Membership subscription paid by employer
(b)	Gardener	3,600 per person (300 per month)
(c)	Driver	7,200 per person (600 per month)
(d)	Household servant	4,800 per servant (400 per month)

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(d) Relief for year assessment 2018:

	PERSONAL RELIEF FOR YA 2018	RM	
1	Taxpayer	9,000	
2	Disable taxpayer (additional relief)	6,000	
3	Wife relief (claimed by husband) : Wife elects joint assessment or no source of income : Wife disabled (additional relief)	 4,000 3,500	
4	Husband relief (claimed by husband) : Husband elects joint assessment or no source of income : Husband disabled (additional relief)	4,000 3,500	
5	Medical expenses for taxpayer's parents (restricted to)	5,000	
6	Parental care • Father • Mother (Age > 60 years old, annual income ≤RM2,400)	 1,500 1,500	
7	Medical expenses for taxpayer, spouse and children on serious disease (including RM500 medical examination)	6,000	With receipts
8	Supporting equipment for disabled taxpayer spouse, children or parents	6,000	
9	Child relief (claimed by husband or wife) • Per child (below 18 years old) • Per child (below 18 years old) - Universities or college • Disabled child (unmarried) • Disabled child (over 18 years old) - Universities or college	 2,000 8,000 6,000 14,000	
10	Amount deposited into Skim Simpanan Pendidikan National (SSPN) for child (restricted to)	6,000	
11	EPF or approved fund (contributed by employee) and life insurance premium (restricted to)	6,000	
12	Premium on deferred annuity contract and private retirement scheme	3,000	
13	Insurance premium for education/medical (restricted to)	3,000	
14	Employee's contribution to Social Security Organisation (SOCSO) Scheme	250	
15	Education fees paid by taxpayer for his own improvement in relation to law and accounting, Islamic finance, industrial, scientific or technological skills or postgraduates studies (Master, PhD) in Malaysia	7,000	

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16	Lifestyle expenses for taxpayer, spouse and children -purchase reading materials -purchase sports equipment -purchase computer, smartphone/tablet -internet subscription -gym membership fee	2,500	
17	Breastfeeding equipment (child age ≤ 2 years old)	1,000	
18	Fees paid to childcare centre &kindergarten	1,000	

End of Paper